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Editor's Viewpoint

Sometimes I think Exxon's mascot should be a lemming—you know, the little rodents that occasionally march to the sea and drown themselves. The company does seem to display an urge to do itself harm now and then. It's latest coup is filing a suit against Alaska, charging that the state prohibited the use of chemicals that Exxon says would have helped contain and clean up the infamous Exxon Valdez oil spill. Alaska at the time apparently believed Exxon had done enough damage already without adding chemicals to the mix.

Even if Exxon is correct and the suit is justified, how smart is it to sue the state after everything that's happened and all the negative press the company received from the spill? If it wins the suit, it still loses. The point here is not who's right or wrong in a strict legal sense. It's a matter of what's right or wrong in a broader context, in terms of perception, company image, public opinion. And in this context, Exxon has flubbed things from the very start. True, the company was treated unfairly by the press, which fixated on the horror of the spill and the company's initial miscues in handling it. But Exxon's management and public relations geniuses must shoulder some of the blame.

Everything I've heard says Exxon did, in fact, do as good a job handling the spill. There were mishaps at first, but the company quickly got past these, put its act together and accomplished the mission well. This, however, was overshadowed by management's attitude and inane remarks, such as the comment that in essence said the costs of the cleanup were no big thing because they'd just be passed on to consumers anyway.

Other PR gems and disputes between Exxon and government agencies occurred right up to its final pull out from the spill area—all at a time when people were cutting up Exxon credit cards and boycotting Exxon stations. And this public reaction was the real downside, not so much for Exxon, but for people who are associated with it. Exxon is too big to go belly-up from the consequences of the spill, the bad press and the public indignation that it provoked. But the negative response to its actions and its attitude was, and will be, felt from the bottom up; it's felt in the trenches—out in the street at the retail level among Exxon jobbers and dealers who paid a price through lost business. As a giant among corporate giants, Exxon can absorb losses and ride out criticism. Other businesses which are linked to it, however, do not have the same enormous resources to cushion them from the knee-jerk reactions of consumers and government. Exxon should keep that in mind.

—Frank M. Victoria

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Current signals are positive but trouble could be lurking in the weeds as the fuel oil industry moves into 1990. Stiffer competition and a potentially huge infusion of natural gas from Canada could alter the rosy outlook.

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Business format franchising is becoming an important tool for majors and jobbers alike for financing expansion plans.

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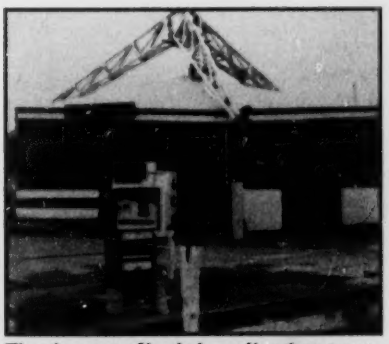

The phaseout of leaded gasoline threatens to leave many leaded users—marine engines, older cars and farm equipment—high and dry. Some enterprising jobbers, however, are filling this market void using lead additives.

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Tight Margins Put Crimp In Third-Quarter Earnings

Net profits were a mixed bag for oil companies in their third-quarter and nine-month earnings reports. There were some plusses strewn here and there and Amerada Hess and Texaco dominated this category.

Overall, however, the negatives overwhelmed the positives. Rising crude oil prices helped some companies boost their profit levels while declining product prices softened the net gain prospects of almost all.

Exxon, still reeling from the Alaskan tragedy, continued to feel the financial impact although not as heavily as in the first half. At the three-quarter mark, its net was off at least a billion dollars [*NPN*—Sept. '89, p8].

Hess, which had a strong first-half, continued onward and upward with a 228% increase in the third quarter and a 600% increase for the nine months of '89.

Texaco was another winner with a modest 11% in the third quarter and 111% for the nine months. The profits reflected Texaco's restructuring and the sale of assets to rehabilitate itself.

Conoco did well too, up 38% for the quarter and 34% for the nine months. Marathon squeaked by with a 1% increase in the third quarter but showed up strong with an 81.7% increase over the nine months.

Shell, the nation's No. 1 gasoline marketer, slipped a bit in the third quarter but nevertheless managed to wind up the first nine months with a 11% showing. Arco also had a third-quarter relapse but still had a nine-month gain of 30%. Kerr-McGee was down 34% at the quarter but up 53% for the nine months.

Downstream, the earnings were nothing to get excited about, falling back, more or less, to the patterns that existed several years ago. Both Mobil and Chevron had substantial increases but Mobil's was attributable more to a real estate deal in Hong Kong than anything else. Chevron's increase reflected stock appreciation rights exercised by the company.

UPSTREAM: Third-Quarter and Nine-Month Earnings

(Millions of dollars)

	3 Qtr. 1989	3 Qtr. 1988	% Chng.	9 Mos. 1989	9 Mos. 1988	% Chng.
Exxon	$1,110.0	$1,225.0	(9.4)	$2,540.0	$3,880.0	(34.5)
Mobil	532.0	557.0	(4.5)	1,362.0	1,625.0	(16.2)
Chevron	417.0	420.0	(0.7)	1,134.0	1,593.0	(28.8)
Amoco	336.0	552.0	(39.1)	1,291.0	1,688.0	(23.5)
Shell	340.0	364.0	(6.6)	1,141.0	1,027.0	11.1
Texaco	305.0	274.0	11.3	2,126.0	1,006.0	110.9
BP America	n/a	n/a	n/a	n/a	n/a	n/a
Arco	379.0	391.0	(3.1)	1,550.0	1,192.0	30.0
Phillips	87.0	215.0	(59.5)	474.0	515.0	(8.0)
Conoco *	98.0	78.0	38.0	430.0	320.0	34.4
Unocal	79.0	97.0	(18.6)	286.0	339.0	(15.6)
Marathon	198.0	180.0	1.0	696.0	383.0	81.7
Sun	85.0	72.0	18.1	271.0	(69.0)	--
Coastal	3.0	9.2	(67.4)	98.7	86.9	14.4
Amerada Hess	51.8	15.8	227.8	405.5	57.9	600.3
Pennzoil	35.4	39.3	(9.9)	206.6	439.1	(52.9)
Ashland **	(39.4)	66.2	--	86.2	223.9	(61.5)
Kerr-McGee	20.1	30.5	(34.1)	118.8	76.6	55.1
American Petrofina	15.1	35.2	(57.1)	105.7	100.0	5.7
Murphy	2.5	10.1	(75.2)	25.7	13.1	96.2
Citgo	28.6	29.9	(4.3)	104.4	105.6	(1.1)

DOWNSTREAM: More Losses Than Gains

Exxon (Total)	$357	$537	(35.5)	$736	$1,249	(41.1)
Domestic	128	220	(41.8)	257	414	(37.9)
Foreign	229	317	(27.8)	469	837	(44.0)
Mobil (Total)	383	219	74.9	708	701	1.0
Domestic	88	143	(38.5)	375	333	12.6
Foreign	295	76	288.2	333	368	(9.5)
Chevron (Total)	230	210	9.5	678	522	29.9
Domestic	141	113	24.8	327	301	8.6
Foreign	89	97	(8.2)	351	221	58.8
Texaco (Total)	180	373	(51.7)	514	706	(27.2)
Domestic	76	203	(62.6)	190	406	(53.2)
Foreign	104	170	(38.8)	324	300	8.0
Amoco (Worldwide)	134	319	(58.0)	461	631	(26.9)
Shell	106	162	(34.6)	351	395	(11.1)
BP America	n/a	n/a	n/a	n/a	n/a	n/a
Arco	119	121	(1.7)	227	280	(18.9)
Phillips	48	85	(43.5)	161	200	(19.5)
Marathon	112	196	(42.9)	347	332	4.5
Sun	73	86	(15.1)	205	204	0.5
Conoco *	78	91	(13.3)	241	227	6.2

* After tax operating income; ** Fourth quarter and full year; fiscal ends 9/30.

• TRENDS

Gasoline Taxes: Torrid And Controversial In '90s

A restatement of the White House hard-line on taxes notwithstanding, it can be pretty well taken for granted that gasoline taxes can't help but be one of the liveliest topics in Washington D.C. next summer. And if not then, it will be demanding greater gobs of time and attention in early '91, stretching tempers and temperaments to a political breaking point.

Sen. Bob Dole (R-Kan.), the Senate Republican leader, was one of the latest pols to revive the gasoline tax hike subject. Dole not only packs a lot of personal wallop in Congress but he's a member of the Finance Committee which has much to do with writing and revising tax proposals up or down. He has put himself on record, as have several other influential Republicans, that they'd support a bipartisan thrust to get the job done.

New taxes and changes in the existing structure must originate in the House Ways and Means Committee but unless a House-passed bill is supported and endorsed in the Senate's Finance Committee, there's not much hope that it'll survive the rough road it will have to travel.

Dole, appearing on network TV's "Meet the Press" program in late October was asked his position on boosting the federal tax on gasoline, now 9.1¢/gal. "I would support a gasoline tax increase for rebuilding the infrastructure but not for debt reduction," he said. In other words, bridges and highways, but not debt abatement or, inferentially, any other project.

The Bush administration is dedicated to "no new taxes" come hell or high water. New and improved highways and bridges are very important but the more basic issue is the federal deficit—now more than $152-billion—is something that can't be kept on a back burner forever. It'll swamp anything and everything once the possibility of an acceptable tax increase is considered to be out in the open.

White House sources say Dole wasn't talking for the administration when he appeared to be endorsing a bipartisan gasoline tax strategy. And media spokesman Marlin Fitzwater emphasized the negative hours later when he said, "We do not feel that an increase in the federal gasoline tax is necessary at this time." The "at this time" made some people wonder whether he hadn't compromised his remarks so that he wouldn't be caught barefaced and baldheaded by a course reversal next summer or in 1991.

Sharp-eyed readers of one of the nation's leading newspapers also noticed a deletion in the wire service dispatch announcing Fitzwater's rejection of Dole. The lead sentence used the words, "leaving the idea politically lifeless." Was the deletion merely routine copy editing or was it tacit concurrence that "politically lifeless" was a gratuitous term neither editorially realistic or acceptable?

Sen. Peter Wilson (R-Calif.) is another GOPer who has suggested support for a bipartisan bill. So have Sen. Pat Moynihan (D-N.Y.) and Rep. Dan Rostenkowski (D-Ill.) chairman of the House Ways and Means Committee. Say the word, his associates say, and Dan and other Democrats will move right out. There's no question that they are sensitive to tax hikes but they aren't going to move so long as the president continues dodging the inevitable.

Over the past year, all sorts of numbers have been floated on possible increases—from 5¢/gal. to $1 and more. Economists have estimated that 1¢ is worth about $1-billion a year in federal revenues. On that basis, a nickel or a dollar could bring in between $5-billion to $100-billion to the federal coffers.

Outside a few oil-rich or minimum consumption countries, foreign motorists have always paid higher taxes and higher retails for their gasolines than their U.S. counterparts—as much as $5/gal. in Japan, for example. A billion dollars for a penny is a ratio that's going to have the politicians salivating next year when the pressure pains for additional revenues escalate from excruciating to incredible. Don't forget highways need mega-billions just to keep their own programs alive and working well. Once the scramble starts, it will be interesting to see who and what gets top priority—highways and byways or deficits and castrated federal programs.

—by J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.073	$1.007	$1.029	$1.213
Regions:				
Northeast	1.101	1.050	1.030	1.241
North Central	1.082	1.041	1.047	1.234
South	1.060	1.012	1.009	1.176
West	1.056	.986	1.028	1.230

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

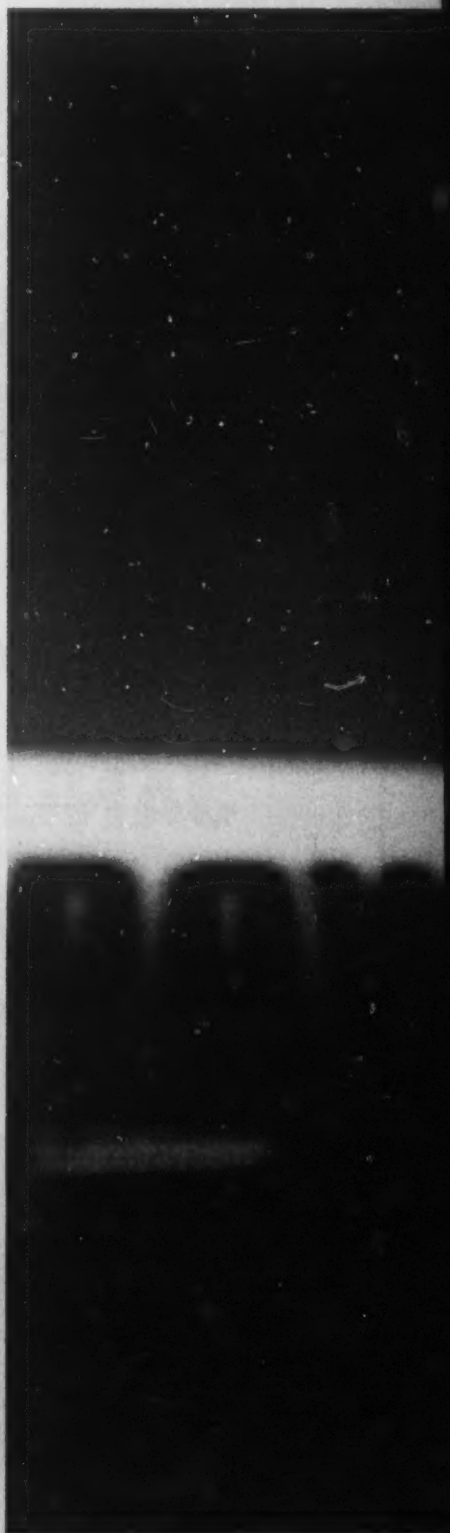
STOCKS (Add 000 bbl.)

	10/27/89	10/28/88
Gasoline (Total)	223,164	214,570
Gasoline (Unleaded)*	163,615	129,316
Jet Kerosine	43,392	41,469
Distillates	118,658	128,786
Residual	48,790	40,105

** Included in gasoline total.*

Source: American Petroleum Institute.

Fuel Oil Outlook: Signs Positive, But Trouble Still Lurks



On the surface it would appear that the outlook for the oil heating industry is as bright and bountiful as last year. Supply seems to be plentiful. No hard evidence has been forthcoming that would support an argument that trouble is brewing. But...

Subtle hints exist that indeed the industry will once again be faced with stiff competition and an unfavorable political climate. The main threats come both from within, as the industry continues to wrestle with its own inability to unify, and from external forces which will continue to put extreme pressure on consumers to switch fuels. Utilities, startled dead in their tracks by oil heat's aggressive and successful advertising and marketing campaigns over the past five years, have seemingly regained their composure and are poised to launch new volleys in retaliation.

Also compounding oil heat's woes is the apparent legislative approval of various Canadian pipeline projects that are expected to eventually bring in huge quantities of natural gas to the New England and Mid-Atlantic regions. The Northeast, where oil heat still maintains a respectable market share, could ultimately become the last battleground in the fuel wars. Should the gas utilities win here, the remnants of oil heat in other parts of the country—particularly the Pacific Northwest—will fall down like a house of cards as the industry's support services disband.

Yet the fuel oil industry has shown remarkable resiliency over the past 25 years and has refused to cave in to the well organized, well heeled utilities. So-called experts have been predicting that the heating oil industry would go belly-up for two decades, but it hasn't. One prominent oil heat marketer from New England recently commented at this past summer's Oil Heat Promotion Conference in Williamsburg, Va.: "As Mark Twain remarked after reading his own obituary, 'the reports of [oil heat's] death were greatly exaggerated.'"

Because of the very mild weather throughout the Northeast last winter, supply-related price fluctuations have not been problematic for oil heat marketers. However, spot and futures market prices have risen dramatically through the spring and summer, which is unusual. This increase is part of an overall rise in petroleum prices worldwide as a result of OPEC's latest attempts to control production. World crude oil prices bottomed out in November 1988 at about $10/bbl. and have been climbing steadily ever since.

Price and supply

In mid-October 1989, Arab Light crude oil was trading on the spot market a bit under $17/bbl. NYMEX Crude Oil Futures were about $20/bbl. for December 1989 contracts. Contrast this with the same period in 1988, when Arab Light was selling for $10/bbl. on the spot market and December 1989 Merc crude oil futures were about $13/bbl.

Fuel oil prices have generally paralleled this trend. NYMEX futures prices for No. 2 heating oil (December 1989 contracts) are around $.59/gal. in mid-October. This is close to the all-time high of $.60/gal. for December '89 futures. The same contracts traded at about $.37/gal. last year at this time.

The heating oil industry has been slow to react to this 60-70% increase in wholesale fuel oil prices. Although many have become conditioned to erratic and unpredictable fluctuations, price is a sensitive issue so there's a reluctance to fully pass along the increases. Past price spikes have led to customer defections to other fuels and political rhetoric about price gouging on the part of oil heat dealers.

This situation is not as critical as in the early 1980s when many marketers went to the edge of bankruptcy as a result of rising prices and their inability to react. Those who survived that era have developed better margins (said to be as much as $.50/gal. in some areas) that enable them to absorb at least some of the most recent price increase. They're also careful not to tie up capital in huge inventories and know how to tighten their belts wherever possible to stay lean.

Table 1 shows the five-year trend in wholesale and retail prices and demonstrates

By George Schultz
Contributing Correspondent

how fluctuations affect margins. Note that the price increases in 1987 and 1989 affected margins more than the price reductions in 1985 and 1988.

Scrap the crystal ball

In last year's Fuel Oil Outlook we went into great detail as to why prices were expected to drop. We cited reports about worldwide overproduction and high inventories and repeated the experts' prognostications about what to expect in the coming months. They blew it!

The so-called experts who in 1988 were forecasting another oil price collapse are busy wiping the egg of their faces. Instead of plummeting to the $5/bbl. level they predicted, prices have gone up, principally due to OPEC's ability to more or less maintain its output quotas. This is a feat that virtually everyone felt was impossible based on OPEC's past failures and the economic difficulties faced by many of its members.

Experts are now hedging their predictions as much as they can. They say that prices may become somewhat volatile, but they don't expect any 1970s-type crisis. The rise of non-OPEC countries as oil suppliers, coupled with the growth of the spot and futures markets and our ability to switch fuels are cited as reasons why things won't get panicky.

Shrinking numbers

The U.S. Census Bureau says that at the end of 1987 there were 5,511 fuel oil dealers with payrolls operating in the United States. This represents a 9.1% drop from 1982 when the Bureau conducted its last survey of retail trade. This count differs dramatically from industry figures, mainly because of the criteria used to categorize companies.

The U.S. Census Bureau counts only those firms which generate more than half of their total revenue from the sale of heating oil. That means if a marketer sells $10-million in gasoline and $9.9-million in fuel oil, that company isn't considered a fuel oil dealer. Census also doesn't count many of the mom-and-pop, one-truck operations.

Fuel Oil News, *NPN*'s sister publication, estimates there are more than 10,700 separate establishments which sell heating oil to end users (residential and commercial/industrial). Despite the discrepancy in the real numbers, there is general agreement that there has been at least a 9% decline in total dealers over the past five years. This attrition actually began in the mid-1970s following the first oil crisis.

The major oil companies, which had been major players in the retail market, were the

Table 1
Average Fuel Oil Prices & Margins
1984-1989

Year	Wholesale	Retail	Margin	Change
1984	$.819/gal.	$1.091/gal.	$.272/gal.	0
1985	.781	1.053	.272	0
1986	.480	.836	.356	+.084
1987	.535	.803	.268	-.088
1988	.481	.814	.333	+.065
1989	.581*	.860*	.279	-.054

*Estimated
Source: *U.S. DOE Energy Information Administration*

Table 2
How New Homes Were Heated - 1988
Market Share

Region	Gas	Electric	Oil	Other	No. New Homes Added
Northeast	45%	23%	30%	1%	187,000
Midwest	84	12	-	3	191,000
South	36	62	1	2	456,000
West	71	21	-	7	249,000
Total U.S.	54%	37%	5%	3%	1,083,000

first to pull out, ultimately withdrawing their support to the industry entirely. This has dramatically changed the marketplace as independent marketers and wholesalers have replaced the majors as the principal suppliers. A number of previously small marketers were suddenly thrust into prominence with the acquisition of major oil company retail operations in various areas.

Growth through acquisition continues to be an active business strategy in the heating oil industry. The most visible example of this practice is Petroleum Heat & Power Co. ("Petro") of Stanford, Conn., which has become the nation's largest independent heating oil marketer by way of some 90 acquisitions over the past 10 years.

The rationale behind the growth-through-acquisition philosophy is rooted in the industry's lack of confidence in maintaining its share of the critical new home market. Nationwide, new homes are almost all heated by gas or electricity (see Table 2), but oil heat went into 30% of the new homes in the Northeast last year. However, it has only been within the last three or four years that oil heat's market share in Northeastern new homes has been significant. Consequently, the reigning thinking is that growth can only be achieved by gobbling up competitors, a practice made into an art form by Petro.

Petro's strategy hasn't been without risk. The company is said to be highly leveraged and reported substantial losses for the second quarter of 1989 as a result of its acquisition activity. Losses were expected to continue in the third quarter as a result of its buyout of Long Island's 28-million gal./yr. Commander Oil Co. Petro's first quarter net income was $4.8-million, down more than half from the $11.3-million net in the first quarter of 1988.

Much of oil heat's recent success in the Northeastern new home market is being credited to the aggressive advertising and public relations campaigns pioneered by the Metropolitan Energy Council (MEC) in the New York City area. This federation of oil heat trade associations in Long Island, New York City, northern New Jersey and southern Connecticut, has been a major force in creating hard-hitting TV commercials and collateral material which is now being used in virtually every other oil heat market in the U.S. and Canada.

Other headaches

The heating oil industry is faced with several other knotty problems, with environmental impact being a major one. This includes underground tank regulations and the liability insurance tied to it, as well as the new Clean Air Act.

There are direct as well as indirect implications in the Clean Air Act that could affect marketers. For example, they could be restricted from using No. 2 oil as diesel, thereby requiring them to store and use mandated, lower sulfur fuel. It might also require them to sell low sulfur fuels to certain commercial and industrial accounts.

The underground tank issue has been hovering like an executioner's axe for several years as the industry has struggled to keep it out of the political arena. Although federal legislation appears to exempt fuel oil tanks of less than 1,000-gal., state and local authorities appear to be free to enact stricter

New homes across the country are almost all heated by gas or electricity (see Table 2). Yet, oil heat went into 30% of the new homes in the Northeast last year. It is only within the last three or four years, however, that oil heat's market share in Northeastern new homes has been significant.

legislation, so marketers are forced to battle the issue not only in Washington, but in every state capitol and municipality as well.

Liability insurance to cover the financial responsibility required by UST regulations has been extremely difficult to obtain and many marketers claim that what is available is exorbitant.

Who's in charge?

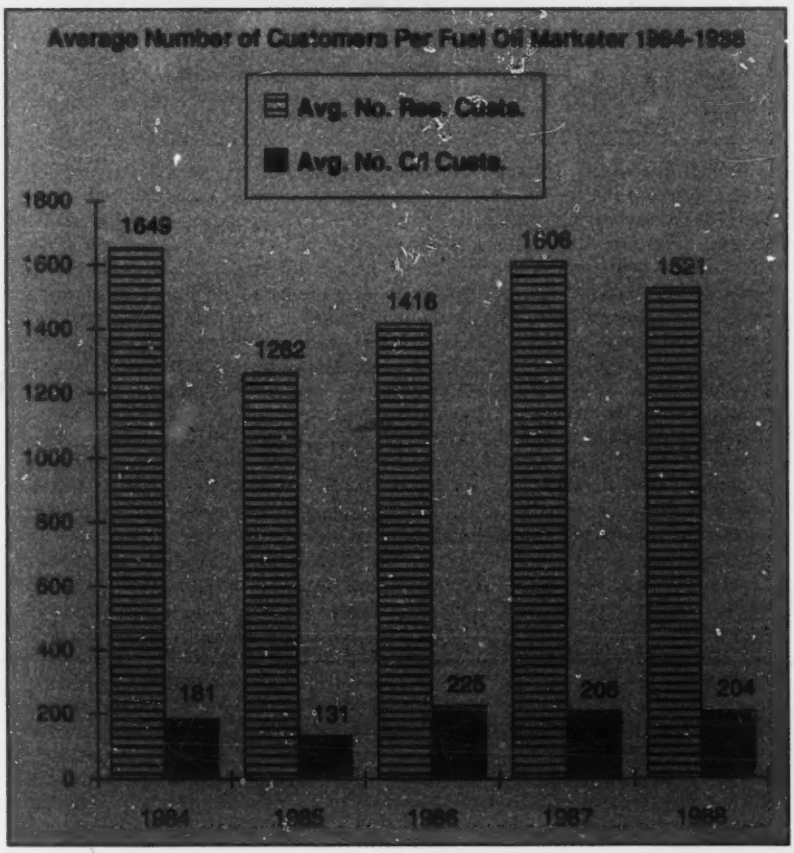
Industry fragmentation is yet another problem as each regional group insists on pursuing its own agenda. Petroleum Marketers Assn. of America executive vice president, Phil Chisholm, asked the industry to allow the Heating Fuels Committee to become the national voice of oil heat. His remarks were made at the committee's meeting held in conjunction with the National Oil Heat Marketing and Promotional Conference last August. He wants the Heating Fuels Committee to take the place of the Oil Heat Task Force, an ad hoc group formed by the "Big 7" oil heat dealers in the Northeast to fight the proposed underground tank regulations and other issues detrimental to oil heating interests.

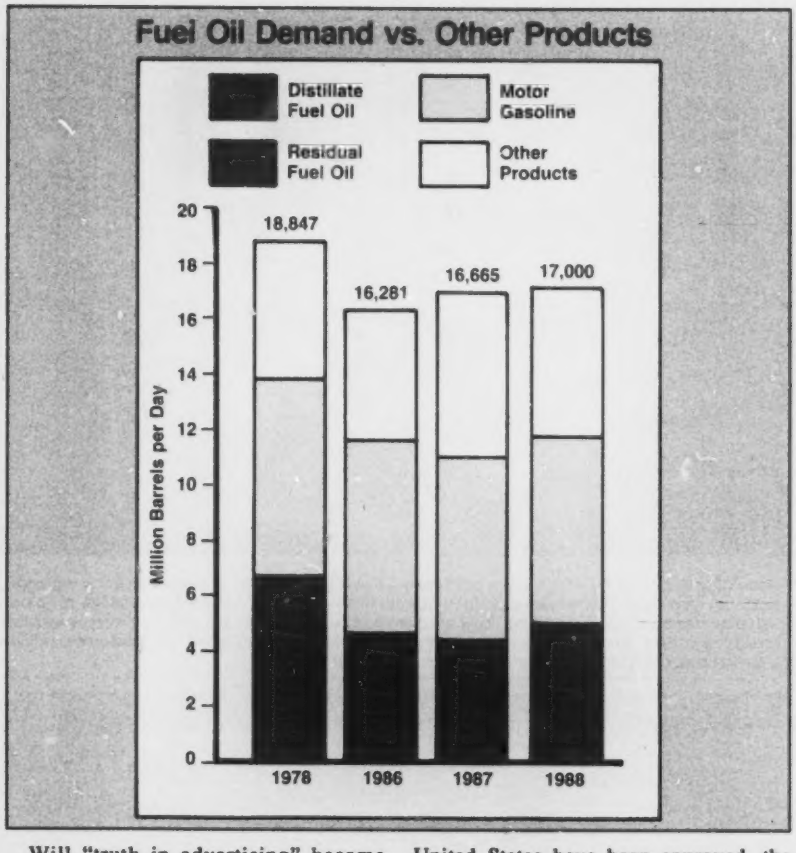
The proposal evidently fell on less than enthusiastic ears, so it isn't likely that any group will assume a leadership role in the foreseeable future. MEC, however, has become the de facto marketing arm for the industry as a result of its successful advertising campaigns.

MEC is proposing to raise $3-million this year for its advertising war chest, more than the cumulative total it has raised in its eight years of operation. A major portion of this goal will be financed through five-fold increases in allocations to the association members of MEC. For example, the Fuel Merchants Assn. of New Jersey's contribution would increase from about $200,000 in 1989 to nearly $1-million in 1990. More than one attendee at the conference raised an eyebrow when this was announced, and most industry observers feel that such increases will be tough to sell to the members.

Officials of the Council unveiled their 1990 plans at the Promo Conference, although they were very hush-hush about the specifics of their new ads. Plans are to spend $500,000 to create new ads and $2.5-million in media placement. Also proposed is a regional advertising cooperative in which local organizations would control their own media purchases but air the same commercials chosen and developed by a joint advertising committee. The organizations would all use the same advertising agency as well to improve their negotiating capabilities with the media.

According to a study by *NPN*'s sister publication, *Fuel Oil News*, fuel oil marketers show a growing tendency to reduce or eliminate their in-house service departments. In 1988, just 46.3% of dealers sampled had a service department. This percentage has been in decline since the survey was first instituted in 1979, and preliminary 1989 figures, scheduled to be published this December, indicate a further reduction in the number of marketers who offer service.





Will "truth in advertising" become another problem the industry has to deal with? Maybe, say insiders, if the trend away from equipment service continues. MEC's advertising thrust touts the oil heat industry's "I'll be Right Over Service," yet the *Fuel Oil News* annual study amongst marketers has shown a growing tendency for them to reduce or eliminate their in-house service departments. In 1988, just 46.3% of dealers sampled have a service department. This percentage has been in decline since the survey was first instituted in 1979, and preliminary 1989 figures, scheduled to be published this month, indicate a further reduction in the number of marketers who offer service.

Reasons quoted for this phenomenon include the difficulty of obtaining and retaining qualified technicians, coupled with the emergence of an equipment service "cottage industry."

The 'other guys' problems

Meanwhile, not everything is rosy for the utility companies, either. Although new pipeline projects designed to bring imported Canadian natural gas to the Northeastern United States have been approved, the hardware needed to carry this gas has yet to be manufactured, which will take a number of years.

Before then, the "cheap and plentiful" scenario painted by the utility companies is expected to disappear. Experts predict a 25% increase in wellhead natural gas prices for 1990 because demand will outstrip supply.

Also tarnishing the gas industry's reputation is a recent environmental report on air pollution. It concludes that transmission losses throughout the gas network contribute as much or more to global warming as does the carbon dioxide created by oil burning equipment.

Between 2 and 3% of all gas shipped from utility to consumers is reportedly lost (with some utilities admitting figures as high as 6%) and the study explains that the methane (the primary ingredient in natural gas) dissipated into the atmosphere is 10 times as damaging to the environment as fuel oil emissions.

The heating oil industry is, of course, going to great lengths to publicize this study, "The Effects on Greenhouse Heating by Fuel Oil and by Natural Gas," authored by University of Minnesota Prof. Dean Abrahamson. The American Gas Association has challenged its findings, understandably, arguing that utility loss reports are not leakage but human error in calculating and reading meters.

Electricity hasn't been forgotten when it comes to problems either. The cost of electric heat is expected to increase, since much of the electricity in the U.S. is produced by oil-powered generators. Even nuclear-powered electric generating plants use large amounts of fuel oil. In 1988, electric utilities used 650-million gals. of distillate and 7.6-billion gals. of residual oil to generate electricity.

Equipment reliability still plagues electric heat pumps, which are claimed to be the panacea for indoor comfort. They still don't perform up to advertising claims, particularly in cold climates where expensive electric resistance coils must supplement the heat pump process.

Electric utilities are attempting to overcome the high cost of its fuel by offering sweetheart rates for off-peak consumption. However, this creative ratemaking designed to make electric heat more acceptable is under fire by gas and oil foes on the grounds of being discriminatory to non-heating customers.

So although both the gas and electric utilities have incredible advantages over oil heat marketers because of their monopoly situations, their large marketing budgets and superior organization, there are chinks in their armor.

Bullish, regardless

Despite the ominous signs on the horizon, the oil heating industry won't disappear in this century. The 1989 biennial New England Oil Heat Exposition drew the largest number of exhibitors (376) and attendees (10,000) ever recorded at an industry trade show. Similar records were set by the National Assn. of Oil Heating Service Managers at its annual convention and trade show in Lancaster, Pa.

Some of the excitement of those shows was later tempered, however, by inside news about the failure of several prominent equipment suppliers. Two boiler manufacturers were reported to be in bankruptcy and a major oil burner company was said to be in serious difficulty.

Nevertheless, the industry remains large ($9.3-billion in annual sales just for the 5,500 companies counted by U.S. Census) and will continue to be an important part of petroleum marketing for as long as most of us are still around. **NPN**